BLM VENTING & FLARING REGULATION FINALIZED

The Department of Interior, Bureau of Land Management (BLM), published the final rule regarding "Waste Prevention, Production Subject to Royalties, and Resource Conservation" in the Federal Register on November 18, 2016. Trihydro's review of the new rule captures the environmental issues that have garnered the greatest interest, which are the subject of this regulation's more commonly used name: the "BLM Venting and Flaring Rule."

Following review of the rule, Trihydro believes the most important environmental issues of concern to the industry are that the rule:

- Is applicable to oil and gas production operations on Federal (BLM) and tribal lands (other than Osage Tribe).
- Applies to both existing and new production operations.
- Requires that leak detection inspections be completed by January 17, 2018 for existing facilities, or within 60 days of beginning production for facilities that begin production after January 17, 2017.
- Requires submission of a Waste Minimization Plan with Applications for Permit to Drill (APD) submitted after January 17, 2017. This plan is intended to address practices to reduce flaring, including timing for pipeline/sales connections.
- Establishes broad monitoring requirements similar to EPA's NSPS OOOOa.
- Is effective January 17, 2017.

Various trade organizations have filed suit regarding these regulations, and the ultimate resolution under the forthcoming Administration is unknown. Please note that this is a final regulation

and it is effective as of January 17, 2017 unless actions are taken to withdraw the requirements.

Note that BLM will allow exceptions to portions of these requirements when compliance costs will cause the operator to cease production and abandon significant recoverable oil reserves under the lease. These exceptions will have to be demonstrated to BLM, and will need to consider the costs of gas capture, as well as the costs and revenues of all oil and gas production on the lease.

FLARING/VENTING PROHIBITIONS

As part of the APD, operators will now (as of January 17, 2017) be required to prepare a "Waste Minimization Plan" evaluating opportunities to capture gases and minimize flaring for their new wells. These plans must be consistent with the new requirements to reduce the percentage of flared gases (i.e. capture at least 85 percent by January 2018, phasing to 98 percent by 2026), as well as a phase-down of allowable flaring volumes between 2018 (5,400 Mcf/well) and 2025 (750 Mcf/well) averaged across operations met either lease-by-lease, county-by-county, or within a state boundary (on Federal or Indian land leases). As a result of these requirements, BLM expects operators to expand pipeline capacity (i.e. additional compression), capture hydrocarbons onsite (i.e. hydrocarbon liquid extraction and transport to processing facilities), or slow production until infrastructure is in place to send these volumes to sales.

By January 17, 2018, BLM will require operators to meet the following requirements:

- Replace "high bleed" (greater than 6 standard cubic feet per hour) continuous pneumatic controllers with low or zero bleed pneumatics, with an exemption for safety or other specified functional needs, as documented in a Sundry Notice.
- Replace pneumatic pumps with solar-powered pumps or route to a flare, if available.
- Similar to EPA's NSPS OOOO and OOOOa requirements, control (by gas capture or by flare) storage tanks venting more than six tons per year of volatile organic compounds (VOCs). Emission estimates must be completed by March 17, 2017 for existing storage tanks, and within 30 days of new production being added to a storage vessel.

Liquids unloading will be subject to strict "best management practices" including:

- Optimization of automated plunger lift systems to reduce venting
- Continuously staffing any sites that conduct manual purging

During well completion activities, operators will be required to:

- Capture, flare, use (in well site equipment) or re-inject gases
- Operators meeting EPA NSPS OOOO and OOOOa regulations are deemed compliant

LEAK DETECTION AND REPAIR

Instrument-based leak detection programs will be required to find and repair leaks. Initial inspections are due by January 17, 2018 for facilities in operation before January 17, 2017, or within 60 days of beginning production for sites that begin production after January 17, 2017.

While the most common approach to meeting this requirement is likely to be the use of optical gas imaging cameras, other methods, such as portable analyzers (following EPA Method 21 (i.e., traditional LDAR)) combined with ongoing audio, visual, and olfactory leak detection approaches are allowed. BLM may also approve other monitoring methods deemed equivalent to these specified methods. Monitoring of production facilities will be required semi-annually, and compressor monitoring will be required quarterly. Identified leaks must be repaired within 30 days of discovery, with follow-up monitoring to verify repair within 30 days of the repair. If a repair is not successful, additional repair attempts must be made within 15 days. Repairs that require equipment shutdown or other extreme efforts (i.e., delay of repair) are allowed and must be documented to BLM in a Sundry Notice. Leak Detection and Repair recordkeeping and reporting requirements are generally similar to EPA's NSPS OOOOa regulations. These leak detection requirements do not apply to sites that are composed only of a wellhead with no other equipment, and other specified exemption criteria.

Facilities subject to EPA's NSPS OOOOa regulation are deemed to be compliant with the BLM requirements.

QUESTIONS?

For more information, visit https://www.trihydro.com/ or reach out to one of our air compliance experts:

Jay Christopher
Senior Scientist Specialist
Air Quality & Process Management
jchristopher@trihydro.com

Calvin Niss
Senior Vice President
Business Unit Leader
Air Quality & Process Management
cniss@trihydro.com

RESOURCES

View the final rule on the BLM website here.

View EPA's Response to Comments documents here.